

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 SCEM-02 INT-08 L-03 OPIC-12 EB-11

COME-00 TRSE-00 OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01

RSR-01 /070 W

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P 302020Z JUL 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 4879

INFO AMEMBASSY GUATEMALA PRIORITY

AMEMBASSY MANAGUA PRIORITY

AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY SAN SALVADOR PRIORITY

C O N F I D E N T I A L TEGUCIGALPA 2816

E.O. 11652: GDS

TAGS: BDIS HO

SUBJECT: TEXACO AND PETROLEUM PRICE ISSUE

REF: TEGUCIGALPA 2776; TEGUCIGALPA 2698; STATE 142279;
TEGUCIGALPA 1928; AND PREVIOUS

1. SUMMARY: TEXACO REPRESENTATIVE TO INFORM MINECON OF "REALISTIC TIME-FRAME" FOR GOH DECISION TO ALLOW PETROLEUM PRICE INCREASES.
2. TEXACO MANAGER WALLACE MCDONALD MET WITH AMBASSADOR AND OTHER EMBOFFS AFTERNOON JULY 27 TO REVIEW CURRENT SITUATION AND INFORM EMBASSY THAT HE WOULD BE MEETING LATER IN DAY WITH MINISTRY OF ECONOMY BENNATON. MCDONALD INTENDED TO TELL BENNATON THAT NEXT SHIPMENT OF CRUDE ARRIVING AUGUST 20 WILL COME FORWARD BUT THERE WILL BE NO FURTHER SHIPMENTS UNTIL TEXACO RECEIVES GOH GUARANTEE THAT TEXACO WILL BE ALLOWED TO COVER ITS COSTS BY PRICE INCREASES.
3. MCDONALD SAID TEXACO HONDURAS HAD RECEIVED TELEGRAM

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FROM THE CRUDE EXPORTER, TEXACO EXPORT INC., STATING

THAT LATTER WAS NEGOTIATING FOR CHARTER OF VESSEL FOR SEPTEMBER SHIPMENT BUT THAT THEY WOULD NOT FINALIZE THE CHARTER UNTIL HEARING FROM TEXACO HONDURAS THAT THEY WOULD BE ABLE TO COVER THE COSTS OF THE SHIPMENT. IN ORDER TO ASSURE ARRIVAL OF SHIPMENT IN HONDURAS ON SEPT. 10, DECISION ON RESERVING SHIP MUST BE MADE BY AUGUST 13. THEREFORE, IN EFFECT, MCDONALD SAID AUGUST 13 HAS BECOME THE DEADLINE FOR A GOH DECISION. HE PLANNED TO INFORM BENNATON THAT THIS TIME-FRAME IS REAL AND THAT THE CONSEQUENCES WOULD BE SERIOUS SHOULD THE GOH LET THE DATE GO BY WITHOUT AGREEING TO ALLOW PRICE ADJUSTMENTS.

4. MCDONALD EXPLAINED THAT TEXACO HONDURAS LOST \$700,000 IN 1972, AND THAT AT THE CURRENT \$4.07 PER BARREL PRICE FOR CRUDE THE LOSS FOR THE COMPANY OVER A 12 MONTH PERIOD UNDER THE PRESENT FREEZE CONDITIONS WOULD BE \$4.8 MILLION.

5. TO GIVE AN IDEA OF PRICE INCREASES TO THE CONSUMER WHICH THE GOH IS FACING, MCDONALD STATED THAT CURRENT EX-REFINERY PRICE ON REGULAR GAS IS 26 CENTAVOS (I.E., 13 U.S. CENTS) PER GALLON. TO COVER TEXACO COSTS AND MAKE A PROFIT (WHICH HE SAID SHOULD BE 10 PERCENT ON INITIAL COST OF TEXACO INVESTMENT) THE EX-REFINERY PRICE WOULD HAVE TO GO UP TO 42 CENTAVOS. HE ADDED THAT CERTAIN POSSIBLE AREAS OF COMPROMISE WOULD BE FOR THE GOH TO REDUCE OR TEMPORARILY DO AWAY WITH ITS TAX TAKE (ROUGHLY 40 CENTAVOS ON EACH GALLON OF SUPREME, WHICH COSTS 1.06 LEMPIRA AT THE TANK, AND REGULAR, COSTING 96 CENTAVOS). THE GOH COULD HELP EASE THE BURDEN ON THE PUBLIC BY ONLY REIMPOSING ITS TAX TAKE IN PROGRESSIVE STAGES. ANOTHER POSSIBLE WAY TO COMPROMISE WOULD BE TO RAISE THE PRICES OF THE VARIOUS PETROLEUM PRODUCTS UNEVENLY, I.E., IF THE GOH DECIDED TO GIVE THE INDUSTRIAL SECTOR AN ADVANTAGE, DIESEL FUEL PRICES MIGHT BE RAISED IN RELATION TO GASOLINE PRICES, AND SO FORTH.

6. EMBOFFS THANKED MCDONALD FOR HIS VISIT AND PROMISED AS OCCASIONS PRESENTED THEMSELVES TO EMPHASIZE TO GOH OFFICIALS THE SERIOUSNESS OF THE SITUATION. MCDONALD
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PROMISED TO KEEP EMBASSY POSTED ON RESULTS OF HIS CONVERSATION WITH BENNATON.
SANCHEZ

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